

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2018-233-E - ORDER NO. 2018-554
SEPTEMBER 18, 2018

IN RE: Joint Application of Duke Energy Carolinas,) ORDER AUTHORIZING
 LLC and Duke Energy Progress, LLC for) INTERCOMPANY ASSET
 Approval to Transfer Certain Intercompany) TRANSFER
 Assets and for Related Accounting Authority)

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Joint Application of Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) (together, the “Companies”) pursuant to S.C. Code Ann. §§ 58-27-1300 and 58-27-2090, S.C. Code Ann. Regs. 103-823; and other applicable rules and regulations of the Commission, for approval of certain intercompany transactions solely between DEC and DEP for rotatable fleet spare (“RFS”) components in anticipation of scheduled maintenance during a major outage. The Companies seek to coordinate and optimize the management of their respective RFS inventories and create potential maintenance outage cost savings through the transfer of RFS parts between them at fair market value. The Companies also seek approval, pursuant to S.C. Code Ann. § 58-27-1540, of the related accounting treatment. In order to account for the difference between the transfer price (i.e., market value) and cost of the RFS assets, the Companies also request authority to use Federal Energy Regulatory Commission (“FERC”) Uniform System of Accounts account 182.3 (Other Regulatory Asset) and account 254 (Other Regulatory Liability) as described herein. Finally, because the proposed transfer was in anticipation

of maintenance to be performed during a major planned outage at the transferee facility in August 2018, the Companies requested expedited Commission action.

The proposed transfer would result in more efficient use of equipment in inventory and reduce inventory costs, and the Commission has previously approved similar transfers of RFS and the associated accounting treatment as being consistent with the public interest.¹ The request for relief set forth within the Application would not involve a change to any of the Companies' retail rates or prices at this time or require any change in any Commission rule, regulation, or policy. In addition, the issuance of the requested accounting order would not prejudice the right of any party to address the prudence of these costs in DEC's or DEP's next general rate case proceeding.

S.C. Code Ann. § 58-27-1300 provides that an electric utility must obtain Commission approval prior to transferring or consolidating utility property with a fair market value greater than \$1 million. The proposed transfer included RFS components from DEC's Dan River Combined Cycle Station and DEC's Buck Combined Cycle Station to be transferred to DEP's Sherwood H. Smith, Jr. Energy Complex ("Smith") ahead of maintenance performed during a major planned outage at the Smith facility that was scheduled to begin on August 18, 2018 ("Smith Planned Outage"). The total proposed transfer from DEC to DEP regarding the Smith Planned Outage is \$2,868,985.

¹ Directive Authorizing Intercompany Asset Transfer, Docket No. 2018-120-E (Apr. 11, 2018); Order Authorizing Intercompany Asset Transfer, Order No. 2016-523, Docket No. 2016-252-E (Aug. 2, 2016); Direct on Joint Application of Duke Energy Carolinas, LLC and Duke Energy Progress, LLC for Authority to Transfer Intercompany Assets and for Approval of Accounting Authority, Order No. 2015-630, Docket No. 2015-293-E (Aug. 26, 2015).

Pursuant to S.C. Code Ann. § 58-27-1540, the Companies requested that the Commission approve the use of FERC accounts 254 and 182.3 for the used RFS asset transfers at market value. DEC and DEP submit there are good reasons to grant this request. First, DEC and DEP are required by Section 5.7 of the Regulatory Conditions to file Annual Reports of Affiliated Transactions in South Carolina.² Allowing this accounting treatment will not diminish the Commission's authority to review the prudence of the transfers or the appropriateness of the pricing in future proceedings including rate-making dockets. Thus, there is no disadvantage to allowing the Companies to properly account for the at-market transfers.

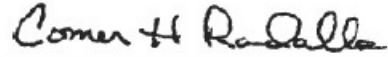
The relief requested by the Companies does not involve a change to any DEC or DEP rate or tariff. As a result, neither notice to the public nor a hearing is required. Furthermore, the Office of Regulatory Staff does not oppose the Application.

We have reviewed the Companies' Application and have determined that the requested relief is consistent with the public interest. Therefore, we grant the requested relief and have authorized DEC and DEP to transfer the RFS Assets between themselves and to approve the use of Uniform System of Accounts accounts 182.3 and 254 for purposes of accounting where appropriate.

² The most recent revised Annual Report of Affiliate Transactions was filed with the Commission on June 1, 2018, in Docket No. 2011-158-E. Schedule 10 of the Annual Report contains the mutually agreed list of specific RFS assets currently eligible.

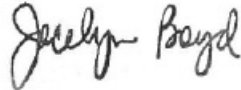
This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



Comer H. "Randy" Randall, Chairman

ATTEST:



Jocelyn Boyd, Chief Clerk/Administrator